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**Valley firms dig for federal dollars**

Published Sunday, Jan. 13, 2002, in the San Jose Mercury News
BY CHRIS O'BRIEN

Mercury News

Maybe they are driven by a sense of patriotic duty. Or maybe it's just the good old-fashioned need to make a buck. Whatever the motivation, Silicon Valley companies are ferociously pursuing the piles of federal money that have been promised after Sept. 11 to help fight terrorism and shore up security.

Politicians have huddled with local companies and industry trade groups to craft bills laden with money for high-tech and biotech products that promise a safer tomorrow. Companies facing a slow economy are trumpeting the security features of their products and have begun lobbying the government.

But what once looked like a gusher is now turning into a slow trickle.

More than 40 security-related bills and amendments have been filed in Congress since Sept. 11. Many are redundant, languishing in committees or mired in political fighting. Although a handful have squeaked through for things like airport security, the vast majority face months of hearings and amendments as calmer heads begin to weigh the cost of all these requests against a dwindling budget surplus and other spending priorities.

Even a White House mandate that all federal agencies increase spending for network security in the next budget year by 10 percent means that money won't be available until October at the earliest -- if it survives months of fighting over a budget in an election year. Economists are warning that any valley company banking a windfall from heightened security is probably in for a severe disappointment.

``From a company perspective, it's a dangerous strategy,'' said Richard Carlson, chairman of Spectrum Economics in Mountain View. ``There's nothing slower than getting money out of the feds.''

The federal government is one of the largest customers for high-tech companies in any year. In the current fiscal year, which ends Sept. 30, government spending on information technology was slated to be $44.9 billion.

But that was before Sept. 11. In the wake of the attacks, the Government Electronics and Information Technology Association predicts federal spending on information technology will increase to $49 billion for the current fiscal year. The association foresees that figure climbing to $65 billion in 2007.

And significant money is up for grabs in the flurry of post-Sept. 11 legislation. Out of the $40 billion

appropriation passed by Congress in September for recovery and security, somewhere between $750 million to $1 billion is expected to be used on information technology, estimates Federal Sources, a McLean, Va., research firm.

The scramble for those dollars is on. And in Silicon Valley, the troops are being led by U.S. Rep. Mike Honda, a San Jose Democrat. Just a few weeks after the attacks, Honda convened a meeting of high-tech leaders to hear their thoughts about how the government should improve security.

Since then, Honda has continued to meet with business leaders and introduced them to federal agencies that might be in the market for new security products. Honda, who serves as vice chairman of the Domestic Law Enforcement Working Group of the House Democratic Task Force on Homeland Security, has introduced a series of security-related bills.

### `A lot to offer'

Last month, Honda co-sponsored a $24 billion bill that includes $2 billion in federal grants to state and local governments for information security systems.

In October, he co-sponsored the $7 billion Bioterrorism Protection Act, which includes almost $675 million for high-tech items, including Global Positioning System and wireless technology to monitor commercial vehicle traffic and hazardous materials transport.

``Silicon Valley has a lot to offer in the area of security,'' Honda said. ``I've found that the executives I've met are eager to do what they can.''

Such proposals could be good news for @Road, a Fremont company that makes a Global Positioning System (GPS) device that allows dispatchers to monitor vehicle traffic via the Internet. Last month, the company created a Homeland Security Initiative, a division that markets the security applications of its technology to government agencies.

``A lot of people out there are pitching different security products because they see a business opportunity,'' said Krish Panu, chairman and chief executive officer of @Road. ``We have a social responsibility to make sure that anything we're selling really does improve security for people.''

For some companies, the push for government attention started well before Sept. 11. Sanctum of Santa Clara, which makes network security software, had been raising red flags about cyberterrorism for years, said Peggy Weigle, Sanctum's chief executive officer.

Since Sept. 11, she said, ``We've gotten a lot of calls back from people who had been looking at this.''

Sanctum could be in a prime position to benefit from new government spending. Worried about hackers, the White House's Office of Management and Budget has ordered every federal department to include money to fix security holes in computer networks.

The other companies most likely to emerge as winners are makers of products for aviation security. A bill passed in November provides money to tighten screening of baggage and passengers -- including funds for testing biometric technologies such as fingerprint and retinal scanners.

### Local connections

As valley companies go digging for these dollars, they probably can count on other allies besides Honda. Floyd Kvamme, co-chairman of the president's committee of advisers on science and technology, is a partner at valley venture firm Kleiner Perkins Caufield and Byers. Norman Mineta, former mayor of San Jose, serves as U.S. Secretary of Transportation and will control much of the spending on travel security.

And while executives have been jetting off to Washington, government officials are stepping up their visits to Bay Area firms. Richard Clarke, chairman of the president's critical infrastructure protection board, has been to Silicon Valley several times since Sept. 11, for instance.

The result has been a frenzy of pitches and proposals. The Federal Aviation Administration has received more than 23,000 proposals to improve air security. The Pentagon has received more than 12,000 responses to its request for information on anti-terrorism technology.

``You no longer have to make the case that security or network security is important,'' said Robert Holleyman, president the Business Software Alliance, a high-tech trade group. ``What we are looking at now is how we better deploy technology through the federal government.''

But Harris Miller, president of the Information Technology Association of America, another trade group, says he worries that much of the momentum behind the security measures is already waning. He points to a $1 billion high-tech security fund that was introduced in November as part the Democrats' economic stimulus bill. It was later cut from subsequent funding bills.

In addition, Congress must wade through more than 40 security bills in the coming months. As fears subside and politicians begin to weigh the cost of security against other items like health care, Miller wonders if the resolve will dwindle.

Steve Levy, director of the Center for the Continuing Study of the California Economy, says that federal security spending isn't likely to pull the Bay Area economy out of its slump. Government technology spending is too small to offset decreases in private sector technology spending, Levy said. And because the military's impact on the local economy has shriveled in recent years, even sharp spending increases at the Pentagon won't be felt strongly in Silicon Valley, Levy said.

``It's a small plus,'' Levy said of the post-Sept. 11 spending. But ``one should not overglamorize this.''

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